



Pension Administration Division  
DEPARTMENT OF FINANCE  
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Participants in the City of Alexandria Firefighters and Police Officers Pension Plan:

This letter is to inform you of a proposed plan amendment to the City of Alexandria Firefighters and Police Officers Pension Plan (the "Plan"). There is no impact to those currently retired for service or disability.

In 2011 City Council appointed an advisory board to review options to address the steadily rising costs of the Plan. The advisory board recommended keeping a defined benefit plan structure if a cost sharing adjustment mechanism was put in place. Representatives from the Firefighters and Police Officers Pension Board (Board) met to create an adjustment mechanism and passed a resolution recommending the City Management work in concert with the City of Alexandria (City) employees, who are Plan members, to jointly and cooperatively develop a sustainable funding model that ensures the long term viability and fiscal health of the Plan.

As part of the City Manager's fiscal year 2014 budget a two percent employee contribution rate increase was proposed. Currently, participants in the Plan contribute eight percent. In March you were notified of this proposed change. A workgroup, consisting of leaders of the employee associations and staff, has been working to determine an alternative proposal to the previously proposed two percent employee contribution rate increase. Their proposal is comprised of plan changes and a memorandum of agreement to address the additional issues related to the sustainability of the Plan. The proposed plan changes are detailed in this letter and would be enacted in place of the previously proposed two percent contribution rate increase.

The proposed amendment to the Plan contains changes to twenty-two sections of the Plan Document. The proposed changes are summarized in the thirteen points below:

1. Non-Service Connected Disability for new hires after 10/22/2013 – coverage will not be provided.
2. Non-Service Connected Partial Disability for current employees – eligibility requirement will be increased from five years of credited service to ten years of credited service. Service accrued prior to 2004 will be included in determining the eligibility for this benefit.

3. Non-Service Connected Disability (Partial and Total) for current employees – the benefit will be accrued at 2.5% times years of credited service capped at 50%. The current Plan's benefit multiplier for non-service connected partial disabilities is 50% and for non-service connected total disability is 66 ⅔%.
4. Disability Cost of Living (COLA) Increases
  - a. Non-Service Connected Partial Disability for current employees – no COLA will be applied.
  - b. Non-Service Connected Total Disability for current employees – a COLA will be applied annually based on the CPI and limited to three percent. The COLA will be awarded for five years after initial eligibility to receive a COLA. Currently the COLA is paid until the benefit equals twice the original amount. The amount of time it takes for the benefit to double varies based on inflation but could range between twenty-five and thirty years.
  - c. Service Connected Partial and Service Connected Total for all current and future employees – a COLA will be applied annually based on the CPI and limited to three percent. The COLA will be paid for five years after initial eligibility to receive a COLA. Currently the COLA is paid until the benefit equals twice the original amount. The amount of time it takes for the benefit to double varies based on inflation but could range between twenty-five and thirty years.
5. Recalculation at Normal Retirement Date – Currently, when a disabled participant reaches Normal Retirement Date the disability benefit is recalculated to reflect the commencement of the pension and the value of the Retirement Income Account (if any). The recalculation uses an average monthly compensation based on the rank and grade held at the time of disablement, but from the salary scales for the prior 48 months. The proposed plan change would not incorporate the salary scales at Normal Retirement Date.
6. Earnings Offset for all participants who begin receiving a disability benefit on or after November 1, 2013– for every three dollars (\$3) in earned income the participant's disability benefit will be offset by one dollar (\$1). There is currently no earnings offset in the Plan. There was an earnings offset from 1981 – 2002.
7. Service Retirement for new hires after 10/22/2013 - the benefit will be accrued at 2.5% times years of credited service. Accruals can continue for an unlimited number of years and will not be limited to 30 years of credited service. New hires will not be eligible to participate in the DROP program.
8. DROP for current employees – eligibility to participate in the DROP will remain at or after 30 years of service. Any employee entering the DROP on or after 11/1/2013 will accrue a DROP account but no interest will be credited to the DROP account balance. DROP accounts for participants who enter the DROP prior to this proposed change are being credited with three percent interest annually.
9. Definition of Partial Disability – the definition of being partial disability has been adjusted so that a participant must not be able to perform the duties of a sworn police officer or firefighter. In the current Plan a participant is eligible for partial disability if they are not able to perform the duties of the particular job to which they are assigned at the time of disability. The proposed plan changes will allow the Plan Administrator to place a disabled participant in an alternate job within the department and/or the City of Alexandria.

10. *Administrative Committee* – the City Manager will designate a committee to perform specific review functions as assigned. The expectation is that a committee would be formed to assist in the disability determination and job placement process.
11. Covered Employee – the definition of covered employee has been expanded to include disabled employees who are placed in alternate employment within the City.
12. Employee Disability Contributions – Currently employees do not contribute to non-service connected total and permanent disability and any benefits are subject to income tax. In the proposed amendment employees would make an after tax contribution to non-service related total and permanent disability and benefits would not be subject to income tax. To accomplish this Section 4.3(b) (Employee Disability Contributions) is revised.
13. Adjustment Mechanism - Currently employee contributions are fixed at eight percent of salary and the City contributes the balance of the required contributions. In the past the City has absorbed 100% of all contribution rate increases. In FY 2011 City Council indicated that the City should no longer support plans that required the City to absorb all cost increases. Going forward the City will:
  - a. Contribute towards the on-going costs of the plan participants earning benefits to be determined.
  - b. Fund the original liability.
  - c. Share the cost of contribution rate changes going forward due to investment results, changes in: benefits, assumptions, methods, or ongoing costs.

Attached to this letter is a copy of the proposed plan document amendment language. Additional edits may be made to the proposed amendment prior to submission to City Council. Any changes made to the plan language will not substantially change the proposed changes detailed above and will not change any other plan provisions that affect participation, eligibility, contributions or benefits. Updated versions of the proposed plan amendment will be posted on the Pension Administration Division website at [alexandriava.gov/Retirement](http://alexandriava.gov/Retirement) and a notification of the update will be distributed via email through your departmental communicators.

Participant meetings were held on August 20<sup>th</sup> and 21<sup>st</sup> to notify participants of these proposed Plan changes. In compliance with the 60-day notice provisions of the Plan document, Pension Administration Division Staff will organize additional informational meetings for participants if requested. Additional meetings held will be announced and publicized on the Pension Administration Division website at [alexandriava.gov/Retirement](http://alexandriava.gov/Retirement) and distributed via email through your departmental communicators.

A workgroup was created to work to prepare these proposed changes as an alternative to the previously proposed two percent contribution rate increase. The workgroup differs from the Firefighters and Police Officers Pension Board. Members of workgroup or the Board may be a useful resource.

Your employee association representatives on the workgroup are as follows:

**Firefighters**

Patrick Evans  
Rick Muse  
Donald Scott  
James Taylor

**Police Officers**

Dennis Andreas  
Jamie Bartlett  
Sean Casey  
Will Oakley

Your trustees on the Board are as follows:

**Firefighters Representatives**

Michael Cross

Patrick Evans

Rick Muse (Alternate)

**Police Officers Representatives**

Edward Milner

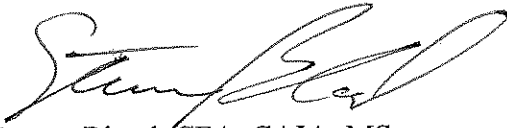
Albert Tierney

Shirl Mammarella (Alternate)

Following the 60-day notice and a meeting with the Employee Pension/Compensation Committee, the proposed amendment is expected to be presented to City Council in October.

If you have any questions concerning the proposed plan changes and how you may be affected, please contact Steven Bland, the City's Retirement Administrator, by email at [steven.bland@alexandriava.gov](mailto:steven.bland@alexandriava.gov) or by phone at 703.746.3886. For more information on the Firefighters and Police Officers Pension Plan, visit the Pension Administration Division website.

Sincerely,



Steven Bland, CFA, CAIA, MS  
Retirement Administrator

Enclosure: Sixth Amendment to the City of Alexandria Firefighters and Police Officers Pension Plan